

## Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03  
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15  
STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01  
DOE-11 STRE-00 AF-10 ARA-10 EA-10 EUR-12 OIC-02  
/159 W

-----121698 160423Z/62

R 151639Z MAR 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC 7243  
INFO AMEMBASSY TEL AVIV

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PASS STR ELECTRONICALLY

E.O. 11652: N/A  
TAGS: ETRD, GATT, IS  
SUBJECT: GATT COUNCIL - ISRAELI REQUEST TO RAISE  
SPECIFIC DUTIES

REF: (A) STATE 63011, (B) STATE 60217

1. SUMMARY: EC AND SWITZERLAND OPPOSED ESTABLISHMENT  
OF WORKING PARTY AT THIS MEETING AND MATTER REFERRED TO  
NEXT MEETING OF COUNCIL. END SUMMARY.

2. ISRAEL INTRODUCED ITS REQUEST BY NOTING THAT IMF  
HAD APPROVED ITS ECONOMIC PLAN IN NOVEMBER 1977 AND HAD  
TAKEN NOTE OF THE ISRAELI EXCHANGE RATE SYSTEM. ISRAELI  
DEL (HARAN) SAID THAT ADJUSTMENT WOULD NOT GO BEYOND  
EFFECTIVE DEPRECIATION OF ISRAELI POUND AND DID NOT,  
THEREFORE, AFFECT GATT BINDINGS. ISRAELI DELEGATE WOULD  
GIVE FURTHER DETAILED INFORMATION IF REQUESTED. HE  
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NOTED THAT ARTICLE II:6(A) AND THE PAR VALUE SYSTEM WAS  
A MATTER OF HISTORY. THE BREAKDOWN OF THE BRETON WOODS  
SYSTEM NECESSITATES CERTAIN CHANGES IN THE GENERAL  
AGREEMENT. THE SYSTEM OF FLEXIBLE EXCHANGE RATES HAS  
NOT OBLIVIATED THE NEED TO ADJUST SPECIFIC RATES WHEN  
THE PRICE OF IMPORTS INCREASES DUE TO DEPRECIATION. THIS  
IS STILL NECESSARY IN ORDER TO MAINTAIN A BALANCE OF

CONCESSIONS. HE RECOGNIZED THAT CPS MIGHT WISH TO EXAMINE THE QUESTION IN GENERAL AND SUGGESTED THAT THE BALANCE OF PAYMENTS COMMITTEE WOULD BE THE CORRECT PLACE TO EXAMINE THE QUESTION SINCE COOPERATION WITH THE IMF IS INSTITUTIONALIZED IN THAT COMMITTEE.

3. AS PER REF A, WE AGREED WITH THE ISRAELIS IN PRINCIPLE BUT NOTED THAT THE REQUEST RAISES A NUMBER OF COMPLICATED PROBLEMS. WE SAID THAT, WHILE WE WERE PROPOSING A WORKING PARTY TO EXAMINE THE QUESTION, WE COULD ACCEPT ITS CONSIDERATION IN THE BALANCE OF PAYMENTS COMMITTEE IF THAT WERE THE DECISION OF THE COUNCIL. WE NOTED, HOWEVER, THAT THE BOP COMMITTEE WOULD NEED A SPECIAL MANDATE TO UNDERTAKE THIS EXAMINATION.

4. THE EC (LUYTEN) CALLED THE MATTER A DIFFICULT AND DELICATE QUESTION WHICH IT HAD NOT YET HAD TIME TO STUDY IN DETAIL. EC IS NOT YET READY TO ACCEPT THE VIEW THAT ARTICLE II:6(A) SHOULD BE APPLIED IN A WORLD OF FLEXIBLE EXCHANGE RATES. LUYTEN SAID THAT BEFORE WE ABANDONED FIXED POINTS WE SHOULD THINK THE MATTER OVER CAREFULLY, AND BEFORE DISCUSSING WHAT PROCEDURES TO FOLLOW IN THE GATT IT IS NECESSARY TO REVIEW THE QUESTION AT THE NEXT MEETING OF THE COUNCIL. HE ADDED THAT ONE SOLUTION TO SUCH PROBLEMS IS FOR THOSE COUNTRIES MAINTAINING SPECIFIC RATES TO CONVERT THEM TO AD VALOREM DUTIES

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UNDER THE PROCEDURES OF GATT ARTICLE XXVIII.

5. SWITZERLAND SUPPORTED THE RIGHT OF A COUNTRY TO MAKE SUCH ADJUSTMENTS UNDER ARTICLE II:6(A) BUT SAID THAT THE MODALITIES OF ITS APPLICATION IN A FLEXIBLE EXCHANGE SYSTEM RAISED MANY QUESTIONS. WHILE THEY THOUGHT THAT IT COULD BE EXAMINED IN DUE COURSE, THEY WERE NOT READY TO TAKE A FINAL DECISION ON THE CORRECT PROCEDURE TO BE FOLLOWED AND WISHED THE MATTER REFERRED TO THE NEXT MEETING OF THE COUNCIL.

6. COUNCIL CHAIRMAN CARRIED ITEM OVER TO NEXT MEETING OF COUNCIL. VANDEN HEUVEL

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SPECIFIC DUTIES, TARIFFS, COMMITTEES, ESTABLISHMENT OF OFFICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 15 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
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**Reference:** 78 STATE 63011, 78 STATE 60217  
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**Review Content Flags:**  
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**Review Event:**  
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**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
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